

{As Prepared for Delivery}

**National Biodiesel Conference
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**Thomas C. Dorr
Under Secretary for Rural Development
Keynote Address**

Thank you. It's great to be with you again this year.

Last year in Fort Lauderdale, I had the opportunity to sit in the back and enjoy the proceedings. It was fun to watch the Deere and Jeep announcements. Apparently someone spotted me, and this year they said if I wanted to come back, I had to give a speech.

But it is great to be here. The pace you are setting is, quite frankly, amazing. The U.S. economy grew at 3.5% overall last year, which by historical standards is doing good, but biodiesel usage grew 300%.

That's beyond impressive, and it's a signal of the new energy industry that – we all agree – is being born today.

It is, therefore, both a privilege and an opportunity for me, on behalf of President Bush and Secretary Johanns, to be with you today, first to applaud not only your leadership but also your tenacity and dogged pursuit of a great new energy opportunity...

... and more importantly, to discuss with you how we can advance our national energy agenda, of which biodiesel is such a promising part.

Energy and energy technology are, as you know, a defining challenge of this decade -- and, in all probability the next as well.

- It is, first and foremost, a vital national security issue.**
- It is a trade, competitiveness, and economic security issue.**
- And, finally, I might add, and as you well know, it is an extraordinary new growth opportunity for rural America -- which is my point of entry into the discussion.**

President Bush spoke to this at length last week in the State of the Union address. But it's important to remember he didn't come to the issue suddenly. This is a longstanding commitment.

On a personal note, I have known the President for several years now, going back to the earliest stages of his campaign, and before.

I can tell you that long before energy became a signature issue, George W. Bush recognized and was talking about the importance of reducing our dependence on imported oil. This has been a top priority from Day One. This commitment is not just a political stop in this term.

The President understands that America's energy security requires a comprehensive effort. I emphasize the word "comprehensive" -- frankly, some of the single interest lobbies need to realize that this is an "all of the above," not an "either-or" question.

The President certainly understands that America's strategy must include conservation and increased energy efficiency, as well as more domestic production of coal, oil, natural gas, and nuclear power.

And the President certainly recognizes the need to develop new energy sources. Comprehensive means comprehensive. It's all necessary.

President Bush has been consistent on this. You may recall that immediately after his election in 2000 -- ancient history now, in political terms -- the President made a comprehensive energy package a first order of business.

It's taken four long years to fight through the single interest objections -- but now we're there -- And why?

- **... First, because President Bush refused to let the Energy Bill die.**
- **... And because the President stood firm, today we have important new policy tools to move us ahead.**

The Energy Bill, however, was just a start. Last week, the President moved well beyond EPACT (2005):

- **He set a national goal of replacing more than 75% of our oil imports from the Middle East by 2025.**
- **Since 2001, as he noted, we've spent nearly \$10 billion to develop cleaner, cheaper energy sources. The President is now proposing, in addition, an Advanced Energy Initiative providing for a 22% increase in clean-energy research at the Department of Energy.**
- **He is proposing increased funding for wind and a six year target horizon for commercializing cellulosic ethanol. That is both an amazing challenge and doable!**
- **At the other end of the scale, he proposes reopening the nuclear option with a new generation of technologically advanced plants, and zero-emissions coal plants.**
- **And much more.**

I believe the President has made a compelling case. The stakes are high.

We have serious work to do – and it's a test we cannot afford to fail.

The President will lead. There is, in this Administration, not only a commitment to energy issues -- but a seriousness of purpose about energy independence -- that this country has not seen in a generation.

That is an important beginning. Now we have the challenge of making it work in the real world. This challenge moves us from the world of politics to the world of markets and investment -- and, frankly, risk and reward.

That's where you come in, and I am delighted, encouraged, and inspired by the energy, enthusiasm, and confidence in this room today.

There is good reason for this confidence. When you look at the energy markets today -- if I may borrow Bob Dylan's phrase -- "the times they are a' changing." The signs are everywhere, and not just the price on the pump.

For example, I had the opportunity last year to attend the Renewable Energy Finance Forum in New York City. It was one of the more unusual

mixes of people I've seen working jointly in one common conference – except perhaps for here ... and “unusual” is an understatement.

It had everything from starched-shirt Wall Street types to long-haired folks in blue jeans and sneakers who looked like they may have gotten lost on the way to a rock concert.

But they had two big things in common: they were in control of significant pools of investment capital, and they wanted to invest in green energy -- at that gathering, primarily solar, wind, and biomass... along with some geothermal and hydrogen.

But most significantly, there was about \$125 billion in venture capital walking around that room, looking for a place to invest.

This is a remarkable convergence, and it has been a long time coming. Energy has been a marquee political issue for 30 years.

As we all know, if speeches and press releases produced energy, the energy crisis would be a distant memory. But they don't -- and it isn't.

But what is coming together today is much more than just politics.

Politics does play a role -- I've mentioned the leadership of President Bush and many others in Congress who fought long and hard for an effective energy bill. That's important. Then there are all of you who've invested many years in this effort.

But politics, by itself, won't get the job done. We proved that in the 1970's. In the real world, where people are putting their own money on the line, markets drive both policy and investment ...

... And markets are telling us that it's finally time to invest in new energy technologies:

- **Biodiesel you know about. Usage has soared from 5 million gallons in 2001 to 25 million in 2004 to 75 million last year. There are 53 biodiesel plants today – by 2007, 88 plants at 630 million gallons.**

Before most audiences I repeat that two or three times to let it sink in. I don't have to do that here. You know what it means.

I am willing to take numbers on your best guess for 2010.

- **U.S. ethanol production last year exceeded 4 billion gallons. The 7.5 billion gallon renewable fuels standard in the Energy Bill will keep that growth on track.**

That's without cellulosic ethanol. When that comes online, those targets will be left far behind.

- **U.S. wind power capacity by the end of last year reached 6,740 Megawatts, and another 5,000 MW are currently under construction or in negotiation.**
- **The U.S. Department of Energy estimates that wind can generate at least 6% of U.S. electricity by 2020. That's an extrapolation of current growth rates, before the new research investments the President proposes. We could be much further along than that.**

- **Ethanol, wind, and biodiesel are the top-of-the-chart emergent technologies. They're closest to full commercialization. At USDA Rural Development, for reasons I'll describe in a moment, we invest in all of them.**
- **But we don't stop there. We are also investing in other biomass technologies such as direct combustion and methane gas recovery, as well as solar, geothermal, and hydrogen applications.**

When you stop to think about it – and remember, I'm talking from a rural development standpoint – we are entering a world in which there will be essentially nothing on a farm, apart from buildings and machinery, that isn't an energy source of one kind or another.

That includes the wind rippling through the trees, the sunlight beating down on the fields, and any stray tumbleweed that blows in the direction of your collection pile. It's all energy ...

... if we have the initiative and skill ... the business models and investment capital ... to take advantage of it.

And if you don't think that excites an Iowa corn farmer like me, you've got another thing coming.



Nothing in life is certain. If we see the return of \$15 a barrel oil, I'll be the first to admit I was wrong -- but I don't think that's going to happen. Clearly, neither do you, or you wouldn't be here.

There are other uncertainties as well. I don't speak for the WTO or the Department of Commerce or the Congress on the import issue.

Nor do I speak for Congress and the tax-writing committees on the Hill. I know the biodiesel tax credit is important, but I don't know what Congress will do. Obviously it's a tight budget environment. Just as obviously, the commitment to alternative energy is at an historic peak – but it's been an ascendant policy since the mid-70s.

Biodiesel is one of many technologies fighting for market share in the post-petroleum world ahead, and we can't know now which will make the cut 10 and 20 years down the line. Markets will make that call.

But however it sorts out, it's important to understand that distributed energy generation in a variety of forms is beginning to come to market. This is vital for America – and it's great for rural America because it offers the rural economy perhaps its biggest new market in our lifetimes.

That's where we at USDA Rural Development come in. Our mission is to increase economic opportunity and improve the quality of life in rural communities. Most of that mission is off the farm.

Those of you from farm country already know this, but it's important to note that 65 million people live in rural America – and 63 million of them don't farm.

96% of the total income in rural America today is derived from non-farm sources. So is 90% of farm family income.

In fact, fewer than 150,000 large family farms supply the bulk of our food and fiber. The vast majority of America's 2 million farmers farm part time.

These are the communities we serve. This year we will invest over \$17 billion in rural infrastructure, housing, community facilities, and businesses.

One day the investment might be Self Help Housing in Alabama, a business incubator in Oklahoma, or a wind farm in Minnesota. The next it might be an ethanol plant in Iowa, a water system in Arizona, or a Community Connect broadband grant in Alaska.

Or it might be a Value Added Producer Grant to a Coop to look into biodiesel. From 2001 through last year, we've invested in 28 biodiesel projects. I am sure that we have some partners right here in this room.

Energy, therefore, is just part of our portfolio – but it’s an important and growing part. And as we seek out opportunities for sustainable growth, energy stands out as one of the most incredibly promising investments in rural America today.

To help realize that promise, USDA Rural Development has invested almost \$290 million in renewable energy since 2001. We are making nearly \$1.3 billion available for energy related investments in 2006.

I should add that we loan competitively, and some non-energy projects will receive funding from that amount, but energy is the first priority.

We had already made that decision, incidentally, even before the President’s speech.

At USDA, that commitment goes beyond Rural Development. Nearly two months ago, Secretary Johanns created the USDA Energy Council to review the department’s programs across the board – from Rural Development to FSA to the Forest Service to NRCS and the Risk

Management Agency -- to ensure that our operations fit into a cohesive energy strategy.

The Council will also ensure that agricultural producers have a place at the table in future discussions of national energy policy.

As the Chairman of the Council, I certainly look forward to working with all of you to realize the enormous potential of agriculture in America's energy future. And I pledge to you an open door and an attentive ear as you point out opportunities -- or raise concerns -- in the months ahead.

We will do our part. Beyond that, however, I would like to pose a challenge.

You might have noticed that I talked about markets and investment before I got around to describing the role of USDA Rural Development.

There is a reason for that:

- **Government does some things well. Government is indispensable in providing a legal, regulatory, and tax structure that encourages the development of new energy sources.**
- **Government can also fund research. It can finance demonstration projects. We can provide technical assistance and incentives to leverage private investment.**
- **But ultimately -- given the scale of the energy sector, its complexity and dynamism, the speed of change across a wide range of competing technologies -- private investors are going to carry most of the load.**

The challenge therefore -- for us at USDA Rural Development, for you as citizens and community leaders, including State Legislatures, all who will have to make some of this happen -- is to find regulatory, business, and investment models that do two things:

- **Facilitate the development of the new distributed energy economy that is, right now, just beginning to reach liftoff;**

- **And enable farmers and other rural residents to retain a fair share of the ownership and control of this extraordinary new opportunity for rural America.**

I mentioned earlier the Renewable Energy Finance Forum in New York City that I attended last year. I didn't tell you the entire story.

After the sessions had wrapped up, I approached one of the organizers and asked about one particular project that I happened to know something about. I asked specifically whether the investment capital involved was American, or if it came from the Middle East.

You can guess the answer.

This is something that is urgently needed now, for ethanol. Down the road, the same issues apply to biodiesel, wind, solar, or any other distributed energy source. There is an enormous opportunity here for rural America, but we cannot assume it's automatic. We have work to do.

We won't finish this job overnight. It will take time. But as President Bush so clearly stated, the future is bright if we have the courage and the will to seize the opportunity. I am an unabashed optimist about rural America, and I believe that we will. Thank you.